

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 LAB-04 HEW-04 NSC-05 CIAE-00
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P 051545Z JUN 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 3297

C O N F I D E N T I A L SECTION 1 OF 2 ROME 10353

PLEASE PASS LABOR FOR SECRETARY MARSHALL, HEW FOR SECRETARY
CALIFANO, WHITE HOUSE FOR BREZEEZINSKI

E.O. 11652: GDS
TAGS: PINT, IT
SUBJ: AMBASSADOR'S CONVERSATION WITH LABOR MINISTER SCOTTI

1. DURING EXTREMELY CORDIAL AND FRANK TWO-HOUR LUNCHEON
CONVERSATION, LABOR MINISTER VINCENZO SCOTTI, ONE OF DC'S
MOST PROMISING YOUNG LEADERS, SHARED HIS PERSONAL
ASSESSMENT OF THE ITALIAN POLITICAL AND ECONOMIC LAND-
SCAPE. THE FOLLOWING ARE SOME OF THE MORE SIGNIFICANT
OBSERVATIONS HE MADE TO THE AMBASSADOR WHO DRAFTED THIS TELEGRAM
BEFORE HIS DEPARTURE FOR WASHINGTON.

2. THE RESULTS OF THE RECENT ADMINISTRATIVE ELECTIONS
SHOULD NOT BE CONSIDERED EPHEMERAL BUT "FUNDAMENTAL."
THE TRADITIONAL RIGIDITY IN ITALIAN VOTING BEHAVIOR IS
FINISHED--ITALY NOW HAS A LARGE NUMBER OF "FLOATING"
VOTERS ABLE TO THINK FOR THEMSELVES AND MAKE NEW CHOICES
IN EACH ELECTION. IN SCOTTI'S VIEW, ONLY 20 TO 22
PERCENT OF THE PCI VOTE IS SURE, THE REST IS MOVABLE.
IN THE RECENT ADMINISTRATIVE ELECTIONS, THE ADDITIONAL
10 PERCENT THAT THE PCI HAD GAINED IN 1975 AND 1976
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RETURNED TO THE NON-COMMUNIST PARTIES BOTH BECAUSE THOSE
PARTIES LOOKED BETTER AND THE PCI LOOKED WORSE. BUT, HE
WARNED, ALL OR SOME OF THOSE VOTERS COULD RETURN ONCE
AGAIN TO THE PCI IF THE NON-COMMUNIST PARTIES, AND PARTI-
CULARLY THE DC, DISAPPOINTED THEM.

3. THE PCI IS STUCK IN AN AGONIZING, PERHAPS INSOLUBLE,

DILEMMA. SOME OF THE MEN AROUND BERLINGUER ARE ARGUING THAT THE PARTY LOST BECAUSE IT HAS NOT EVOLVED RAPIDLY ENOUGH TOWARD INDEPENDENCE FROM MOSCOW AND DE-LENINIZATION. OTHERS IN THE PARTY LEADERSHIP ARE ARGUING THAT THE PARTY LOST BECAUSE IT WENT TOO FAR IN THESE DIRECTIONS, AND SHOULD NOW GO BACK TO ITS HISTORIC HARD-LINE POSITIONS. THUS THE PCI IS SUFFERING FROM ACUTE SCHIZOPHRENIA.

4. DIFFICULT TEST FOR PCI WILL SOON COME ON DOMESTIC ECONOMIC ISSUES. THE GOVERNMENT, CONFIDUSTRIA, AND UNIONS WILL MEET JUNE 14 TO DISCUSS "WHITE BOOK" PROGRAM THAT SCOTTI HAS WORKED OUT IN LABOR FIELD. SCOTTI SAID IN GREAT CONFIDENCE HIS PROGRAM INCLUDES CHANGING SCALA MOBILE (WAGE INDEXATION SYSTEM) FROM 3 TO 6 MONTHS BASIS AND LIMITING RIGHT TO STRIKE IN KEY SECTORS LIKE AIR AND RAIL TRANSPORT. CGIL PRESIDENT LAMA IN RECENT INTERVIEW HAD INDICATED WILLINGNESS TO BE REASONABLE, BUT HE COULD NOT MAINTAIN MODERATE POSITION IF CISL, AND TO LESSER EXTENT, UIL, CONTINUED TO OUTFLANK HIM ON THE LEFT WITH GREATER MILITANCY. CGIL LEADERS HAD LAREADY INDICATED TO SCOTTI THEY WERE NOT PREPARED TO GO ON PAYING POLITICAL PRICE BY BEING THE ONLY ONES CLALLING FOR WORKER SACRIFICES. IN THIS CONNECTION, SCOTTI IRGEED FURTHER INTESIFICATION OF AFL-CIO/CISL RELATIONS AND WONDERED WHETHER THIS COULD SOMEHOW INFLUENCE CISL IN MORE CONFIDENTIAL

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MODERATE DIRECTION AT TIME WHEN IT IS BEING INCREASINGLY INFILTRATED BY EXTRA-PARIALMENTARY AND RADICAL ELEMENTS.

5. THE ELECTORAL RESULTS, IN SCOTTI'S VIEW, IFFER A GOLDEN OPPORTUNITY TO HIS OWN PARTY TO CONSOLIDATE AND EVEN EXTEND ITS GAINS WITH VOTERS BY MODERNIZING AND REJUVENATING ITS LEADERSHIP. IN HIS VIEW, YOUND DC PARLIAMENTARIANS SUCH AS SEGNI AND MAZZOLA SHOULD BE BROUGHT INTO LEADERSHIP POSTIONS IN PLACE OF SOME WORN OUT AND INCOMPETENT OLDER LEADERS WHO HAD NO COMMITMENT TO GOVERNING IN BEST INTEREST OF THE COUNTRY BUT THOUGHT ONLY OF PLAYING THEIR USUAL POLITICAL GAMES. THE BIGGEST OBSTACLE TO CHANGE IN DC, HE SIAD, IS "INTERMEDIATE" GENERATION BETWEEN THE CAPI STORICI (OLD LEADERS) AND THE YOUNGER GENRATION. THIS "DANGEROUS" INTERMEDIATE GROUP OBSTRUCTING CHANGE CONSISTS OF MEN LIKE FORLANI, DE MITA, MARCORA, BISAGLIA AND LORLINO. THE US SHOULD DO EVERYTHING POSSIBLE TO ENCOURAGE THE DC TO BRING ITS YOUNGER GENERATION TO POWER IN THE FACE OF THE OBSTINATE OBSTRUCTION OF THIS GROUP.

6. SCOTTI WAS CAUTIOUSLY OPTIMISTIC ABOUT THE EVOLUTION

OF THE PSI UNDER CRAXI'S LEADERSHIP AND URGED THAT WE STRENGTHEN OUR RELATIONS WITH YOUNGER PSI LEADERS SUCH AS SIGNORILE, CICCHITO AND RUFFOLO. DANGER STILL EXISTS THAT PSI, NOT WITHSTANDING CRAXI'S MODERATE VIEW, WILL CONTINUE TO FISH FOR VOTES ON THE LEFT OF THE PCI, THUS INCREASING INSTABILITY OF POLITICAL SITUATION.

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C O N F I D E N T I A L SECTION 2 OF 2 ROME 10353

PLEASE PASS LABOR FOR SECRETARY MARSHALL, HEW FOR SECRETARY CALIFANO, WHITE FOR BREZEEZINSKI

7. I NOTED THAT FOR MANY US OBSERVERS ITALIAN POLITICAL SITUATION PRESENTED A PARADOX IN THAT AT VERY MOMENT WHEN ELECTORATE WAS TURNING AWAY FROM PCI, THE DC LEADERSHIP WAS BRINGING THEM MORE AND MORE INTO A GOVERNING ROLE. SCOTTI ADMITTED THAT FURTHER INVOLVMENT OF PCI IN GOVZRNING PROCESS WAS A "REAL DANGER"-- NOT IN FORM OF "GOVERNMENT OF EMERGENCY" WITH PCI MINISTERS, WHICH HIS PARTY WOULD NOT ACCEPT, BUT IN FORM OF GREATER DE FACTO INVOLVMENT IN DECISION-MAKING. THIS DANGER WOJLD BE PARTICULARLY GREAT IF THE PSI BECAME MORE DEMAGOGIC, BECAUSE THEN DC WOULD HAVE TO RELY INCREASINGLY ON PCI AS ITS ONLY RESPONSIBLE PARTNER IN FACING THE COUNTRY'S PROBLEMS. ONE AGAIN, SCOTTI MPHASIZED THAT PSI HOLDS KEY TO THE FUTURE: "WE CAN HAVE ELECTIONS IN 1979," HE OBSERVED, " BUT WE MUST BE SURE THAT THE PSI WILL COME INTO THE GOVERNMENT WITH US AFTERWARD." AT THIS POINT SCOTTI TOOK PAINS TO EMPHASIZE HE WAS CONDIENT THAT ANDREOTTI PERSONALLY HAD NO ILLUSION ABOUT PCI AND DID NOT CONSIDER AN ALLIANCE WITH THEM AS EITHER INEVITABLE OR DESIRABLE.

ANDREOTTI CONSIDERED THE PRESENT ARRANGEMENT AS TEMPORARY,
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A NECESSARY EVIL, AND WHILE YIELDING TO COMMUNISTS ON
MINOR SYMBOLIC ISSUES (E.G. PAJETTA'S INCLUSION IN
SSOD DELEGATION) WOULD STAND FIRM ON SUBSTANTIVE QUESTIONS.

COMMENT: ALTHOUGH SCOTTI'S VIEWS ARE THOSE OF A NEW-
GENERATION, REFORM-MINDED DC LEADER, WITH REGARD TO HIS
COMMENTS ON ANDREOTTI, IT SHOULD BE BORNE IN MIND THAT
SCOTTI IS A CLOSE ECONOMIC ADVISER TO ANDREOTTI AND
POLITICAL PORTFOLIO OF THE PRIME MINISTER. END COMMENT.

8. "THE COUNTRY IS CRYING OUT TO BE GOVERNED," SCOTTI
SAID WITH GREAT FEELING. AS AN EXAMPLE OF THE ELECTORATE'S
MOOD, HE NOTED THAT THE DC ONLY DID WELL IN THOSE
LOCALITIES WHERE IT HAD CHANGED AND DEMONSTRATED A
CAPACITY TO GOVERN EFFECTIVELY. IF HIS PARTY DISAPPOINTED
VOTERS AFTER THIS RECENT VICTORY AND CONTINUED TO
POSTPONE POLITICALLY DIFFICULT DECISIONS, IT WOULD NOT
ONLY DESTROY THE BASIS FOR ECONOMIC RECOVERY BUT WOULD
THROW AWAY ITS RECENT GAINS. TAKING JUST ONE EXAMPLE,
HE CITED THE FIVE TRILLION LIRE (APPROXIMATELY DOL 6
BILLION) ANNUAL DEFICIT IN THE PENSION SYSTEM FOR SMALL
FARMERS WHOSE PENSION CONTRIBUTIONS COVER LESS THAN 10
PERCENT OF THEIR ANNUAL BENEFITS. THIS SITUATION HAS
PERSISTED BECAUSE THE DC HAS NOT WANTED TO ASK SACRIFICES
FROM THIS POLITICAL CONSTITUENCY, BUT IF THE BULLET
WERE NOT BITTEN IN THE NEXT FEW MONTHS, THE PUBLIC SECTOR
DEFICIT IN 1979 WOULD BE OUT OF CONTROL. THE IMF AND
THE US GOVERNMENT SHOULD HELP STIFFEN THE ITALIAN
GOVERNMENT'S SPINE BY RESPECTFULLY BUT FIRMLY RAISING
QUESTIONS ABOUT THIS AND OTHER ISSUES RELATED TO THE
PUBLIC SECTOR DEFICIT AND REAL WAGE COSTS.

9. SCOTTI SAID HE WOULD VERY MUCH LIKE TO
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VISIT WASHINGTON IN CONNECTION WITH AN OECD MEETING ON INDUS-
TRIAL RELATIONS SCHEDULED FOR MID-JULY AND ASKED FOR
MY REACTION. I TOLD HIM THAT IN MY VIEW SUCH A VISIT
WOULD BE EXTREMELY TIMELY AND WOULD GIVE HIM AN OPPOR-
TUNITY TO SHARE WITH SENIOR US OFFICIALS THE VALUABLE
IMPRESSIONS HE HAD SHARED WITH ME. COMMENT: I CONSIDER
SCOTTI ALONG WITH TREASURY MINISTER PADODFI THE VERY
BEST IN DC'S NEW GENERATION OF POLITICAL LEADERS.

SHOULD SCOTTI DECIDE TO VISIT WASHINGTON IN MID-JULY,
I VERY MUCH HOPE APPOINTMENTS CAN BE ARRANGED NOT ONLY
WITH COUNTERPARTS SUCH AS SECRETARIES MARSCHALL AND
CALIFANO, BUT ALSO WITH SECRETARY VANCE, ASSISTANT
SECRETARY VEST, AND NSC ADVISER BREZINSKI. ONE OF THE
MOST EFFECTIVE WAYS WE CAN ENCOURAGE THE DC TO BRING
INTO POSITIONS OF RESPONSIBILITY A NEW GENERATION OF
YOUNG, CAPABLE LEADERS IS TO DEMONSTRATE OUR SUPPORT
BY GIVING BRIGHT AND IMPRESSIVE PEOPLE SUCH AS SCOTTI
A WARM AND INTERESTING RECEPTION IN WASHINGTON. END
COMMENT.HOLMES

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